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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON

In the Matter of the Application
regarding the Conversion and
Acquisition of Control of Premera Blue
Cross and its Affiliates.

No. G 02-45

TWENTY-SIXTH ORDER: RULING
ON REDACTIONS IN EXPERT
REPORTS

The OIC Staff and the Interveners have each appealed certain rulings in the Special Master's Order on Objections to Premera's "AEO" and Confidential Designations. The subject of the Special Master's order was the redactions from the OIC Staff's expert reports that Premera proposed be made prior to the reports being made public. In accordance with the Special Masters rulings, the reports have been made public. However, the OIC Staff and the Interveners are asking for additional disclosures on the ground that certain information that has been redacted, in fact, is not proprietary and confidential but public information.

Set forth below are my rulings as to each redaction that the OIC Staff and the Interveners have asked me to review. To the limited extent my rulings grant the parties' appeals, such rulings are generally based on information or arguments presented by the parties

1 on appeal that either were not articulated or not made fully clear to the Special Master. In
2 some cases, I simply reconciled some inconsistencies in what had already been disclosed and
3 what was redacted. In the interest of time and efficiency, I chose not to remand the matter for
4 further consideration by the Special Master. Furthermore, I would like to emphasize that my
5 rulings are based on whether Premera has made a sufficient showing, which the other parties
6 have not overcome, that the information in question is proprietary and confidential. This
7 Order is without prejudice to any determination I could make later under RCW 48.31C.130
8 that disclosure of certain information, even if designated confidential, is in the public interest.

9 Premera shall file, in paper and electronic form, the revised redacted pages of the OIC
10 Staff's experts reports in accordance with this Order by January 21, 2004.

11 **OIC'S APPEAL**

12 *Report 2-Economic Impact Analysis by PriceWaterhouseCoopers*

13 1. Page ES-7, Redaction Number 2-15 The OIC Staff's appeal of the Special
14 Master's ruling on this redaction is denied. The particular information that is redacted, which
15 is in the first sentence of this section, is not on the pages of Premera's website that the Staff
16 has offered in support of its appeal. There being no other evidence that the information has
17 otherwise been made public, the redaction will stand.

18 2. Page 10, Redaction Number 2-25 The OIC Staff's appeal of the Special
19 Master's ruling on this redaction is denied. The particular information that is redacted is not
20 on the pages of Premera's website that the Staff has offered in support of its appeal. There
21 being no other evidence that the information has otherwise been made public, the redaction
22 will stand.

23 3. Page 125, Redaction Number 2-114 The OIC Staff's appeal of the Special
24 Master's ruling on this redaction is denied in part and granted in part. The particular
25 information that is redacted in the first and second sentences of this section is not on the pages
26 of Premera's website that the Staff has offered in support of its appeal. There being no other

1 evidence that the information has otherwise been made public, the redaction as to these two
2 sentences will stand. However, the information in the third and fourth sentences of this
3 section has already been disclosed at ES 7-8 of Report 2. Therefore, the third and fourth
4 sentences will not be redacted.

5 *Report 3- Accounting and Tax Evaluation by PriceWaterhouseCoopers*

6 4. Page 36, Redaction Number 3-60 The OIC Staff's appeal of the Special
7 Master's order ruling on this redaction is granted. The information in this section is available
8 in exhibits to Premera's public Annual Statement at Schedule D, Part 2, Section 2, and the
9 Supplemental Investment Risks Interrogatories.

10 5. Page 51, Redaction Number 3-99 The OIC Staff's appeal of the Special
11 Master's ruling on this redaction is denied. The particular information that is redacted is not
12 on the pages of the audited financial statement found on Premera's website that the Staff has
13 offered in support of its appeal. There being no other evidence that the information has
14 otherwise been made public, the redaction will stand.

15 *Report 5- Tax matters by PriceWaterhouseCoopers*

16 6. Page 11, Redaction Number 5-17 The OIC Staff's appeal is denied in part and
17 granted in part. Most of the information that is redacted in this section is not in Premera's
18 public Annual Statement or audited financial statement that the Staff has offered in support of
19 its appeal. However, the fifth paragraph of this section, beginning with "Premera currently,"
20 does repeat information generally available in Premera's public audited financial statements,
21 including Note 7 of the 2002 statement, found on Premera's website. Therefore, the fifth
22 paragraph will be disclosed while the remaining redactions in this section will stand.

23 7. Page 12, Redaction Number 5-18 The OIC Staff's appeal is granted. This
24 section refers to footnote 9 in the report, which is related to the fifth paragraph of section 5-17
25 discussed above. For the same reason that the fifth paragraph of 5-17 will be disclosed,
26 section 5-18 will also be disclosed.

1 8. Page 13, Redaction Number 5-20 The OIC Staff's appeal is denied. Section
2 5-20 includes footnotes 10 and 11 to the report. The text related to footnote 10 has already
3 been disclosed as a part of section 5-19. The text related to footnote 11 has been redacted.
4 However, the specific information in the footnotes does not appear in the annual statement or
5 audited financial statement that the Staff has offered in support of its appeal.

6 **INTERVENERS' APPEAL**

7 *Report 2 – Economic Impact Analysis of PriceWaterhouseCoopers*

8 9. Page ES-6, Redaction Number 2-10 Interveners' appeal is granted. The
9 information in this section has already been disclosed in another part of the report at page 123.
10 Premera did not appeal the disclosure.

11 10. Page ES-8, Redaction Number 2-19 Interveners' appeal is denied in part and
12 granted in part. Section 2-19 will be disclosed, except for the numbers preceding the “%”
13 signs. This is consistent with other disclosures and redactions at page 126 in the same report.

14 11. Page ES-9, Redaction Number 2-23 Interveners' appeal is denied. The text
15 that the Interveners refer to does not coincide with the Redaction Number. However, the text
16 identified by the Interveners was ordered disclosed by the Special Master and, in fact, has
17 been disclosed in the report that has been made public.

18 12. Page 46, Redaction Number 2-30 Interveners' appeal is denied. Although
19 the sentence referred to by the Interveners is more general than other information contained in
20 the redacted paragraph, it is still specific to Premera's method of reimbursing physicians.
21 Interveners have not presented any facts establishing the possible public nature of this
22 information to overcome the Special Master's conclusion that the information is proprietary.

23 13. Page 49, Redaction Number 2-34 – Table 6.2 The Interveners appeal is
24 granted. Table 6.2 contains information on the number of hospitals by network. This
25 information may be obtained on Premera's website and, therefore, is public. The web address
26 is www.Premera.com/visitors/provider_directory/provider_directory.asp.

1 14. Page 56, Redaction Numbers 2-39 – Table 7-1 and 2-40 – Table 7-2 Premera
2 has withdrawn its redaction of Table 7-1; therefore, the Interveners’ appeal is granted and
3 Table 7.1 will be disclosed. However, the Interveners appeal as to Table 7.2 is denied.
4 Although Premera’s public Annual Statement provides financial information by general lines
5 of business, such as hospital/medical, dental, Medicare supplement, etc., it does not provide
6 specific information by market segment within those general lines of business. The Annual
7 Statement does not subdivide the lines of business by individual account, small group, or large
8 group, or by geographic region.

9 15. Page 57, Redaction Number 2-41 – Table 7-3 and Explanation The
10 Interveners appeal is denied. Although Premera’s public Annual Statement provides financial
11 information by general lines of business, such as hospital/medical, dental, Medicare
12 supplement, etc., it does not provide specific information by market segment within those
13 general lines of business. The Annual Statement does not subdivide the lines of business by
14 individual account, small group, or large group, or by geographic region.

15 16. Page 58, Redaction Number 2-43 – Table 7-5 The Interveners’ appeal is
16 denied. Although Premera’s public Annual Statement provides financial information by
17 general lines of business, such as hospital/medical, dental, Medicare supplement, etc., it does
18 not provide specific information by market segment within those general lines of business.
19 The Annual Statement does not subdivide the lines of business by individual account, small
20 group, or large group, or by geographic region.

21 17. Page 60, Redaction Numbers 2-45 – All designations and 2-46 The
22 Interveners’ appeal is denied. Although Premera’s public Annual Statement provides
23 financial information by general lines of business, such as hospital/medical, dental, Medicare
24 supplement, etc., it does not provide specific information by market segment within those
25 general lines of business. The Annual Statement does not subdivide the lines of business by
26 individual account, small group, or large group, or by geographic region.

1 18. Page 62, Redaction Number 2-48 – All designations except line beginning
2 “The target profit margin. . .” The Interveners’ appeal is denied. Although Premera’s
3 public Annual Statement provides financial information by general lines of business, such as
4 hospital/medical, dental, Medicare supplement, etc., it does not provide specific information
5 by market segment within those general lines of business. The Annual Statement does not
6 subdivide the lines of business by individual account, small group, large group, or government
7 accounts, or by geographic region.

8 19. Page 63-64, Redaction Number 2-50 – All designations except the line
9 beginning “The target operating margin. . .” The Interveners’ appeal is denied. Although
10 Premera’s public Annual Statement provides financial information by general lines of
11 business, such as hospital/medical, dental, Medicare supplement, etc., it does not provide
12 specific information by market segment within those general lines of business. The Annual
13 Statement does not subdivide the lines of business by individual account, small group, or large
14 group, or by geographic region.

15 20. Page 67, Redaction Number 2-57 The Interveners’ appeal is granted. The
16 section appears to contain the conclusions of the consultants. Premera does not assert that this
17 section contains proprietary information or that it should not be disclosed for some other
18 substantive reason.

19 21. Page 73, Redaction Number 2-73 – Table 7-18 The Interveners’ appeal is
20 denied. Although Premera’s public Annual Statement provides financial information by
21 general lines of business, such as hospital/medical, dental, Medicare supplement, etc., it does
22 not provide specific information by market segment within those general lines of business.
23 The Annual Statement does not subdivide the lines of business by individual account, small
24 group, or large group, or by geographic region.

25 22. Page 74, Redaction Number 2-74 – Table 7-19 The Interveners’ appeal is
26 denied. Although Premera’s public Annual Statement provides financial information by

1 general lines of business, such as hospital/medical, dental, Medicare supplement, etc., it does
2 not provide specific information by market segment within those general lines of business.
3 The Annual Statement does not subdivide the lines of business by individual account, small
4 group, or large group, or by geographic region.

5 23. Page 92, Redaction Number 2-79 The Interveners' appeal is denied. This
6 section was ordered to be disclosed by the Special Master and has been disclosed

7 24. Page 92, redaction Number 2-81 – footnote 75 The Interveners' appeal is
8 granted. The section appears to contain the conclusions of the consultants. Premera does not
9 assert that this section contains proprietary information or that it should not be disclosed for
10 some other substantive reason.

11 25. Page 98, Redaction Number 2-85 – “In all model scenarios. . .”[first two
12 sentences only] and “If Premera uses market power. . .”[first sentence only] The
13 Interveners' appeal is granted. The sentences the Interveners request be disclosed generally
14 contain the conclusions of the consultants. Premera does not argue that the information is
15 proprietary or that it should not be disclosed for some other substantive reason.

16 26. Page 115, Redaction Number 2-96 – “Premera financial results. . .” The
17 Interveners appeal is denied. Although Premera's public Annual Statement provides financial
18 information by general lines of business, such as hospital/medical, dental, Medicare
19 supplement, etc., it does not provide specific information by market segment within those
20 general lines of business. The Annual Statement does not subdivide the lines of business by
21 individual account, small group, large group, government accounts, or by geographic region.

22 27. Page 116, Redaction Number 2-97 – “Both show positive. . .” The
23 Interveners appeal is denied. Although Premera's public Annual Statement provides financial
24 information by general lines of business, such as hospital/medical, dental, Medicare
25 supplement, etc., it does not provide specific information by market segment within those
26

1 general lines of business. The Annual Statement does not subdivide the lines of business by
2 individual account, small group, large group, government accounts, or by geographic region.

3 28. Page 116, Redaction Number 2-98 – “Given that. . .” [first sentence only]
4 The Interveners appeal is granted. The sentence contains a general conclusion of the
5 consultants and does not reveal specific non-public financial information by line of business
6 or market segment.

7 29. Page 123, Redaction Number 2-112 – First paragraph beginning “Subject to
8 the. . .” The Interveners appeal is granted. The paragraph will be disclosed as it contains
9 the conclusions of the consultants and is similar to information disclosed earlier in the report.

10 30. Page 124, Redaction Number 2-113 – “These programs have. . .” The
11 Interveners appeal is denied. Although Premera’s public Annual Statement provides financial
12 information by general lines of business, such as hospital/medical, dental, Medicare
13 supplement, etc., it does not provide specific information by market segment within those
14 general lines of business. The Annual Statement does not subdivide the lines of business by
15 individual account, small group, large group or government accounts, or by geographic
16 region.

17 31. Page 126, Redaction Number 2-118 – “In prior years. . .” The Interveners
18 appeal is denied. Although Premera’s public Annual Statement provides financial
19 information by general lines of business, such as hospital/medical, dental, Medicare
20 supplement, etc., it does not provide specific information by market segment within those
21 general lines of business. The Annual Statement does not subdivide the lines of business by
22 individual account, small group, large group, or government accounts, or by geographic
23 region.

24 32. Page 127, Redaction Number 2-119 – “It is unlikely that. . .” The
25 Interveners’ appeal is granted. Premera has withdrawn its redaction.

26 *Report 4 – Executive Compensation Review by PriceWaterHouseCoopers*

33. Page 10, Redaction Number 4-4a The Interveners' appeal is granted. Premera does not argue that the aggregate Change-in-Control benefits are proprietary or should not be disclosed for another substantive reason. Moreover, the legislature expressed a general policy in favor of disclosure when it required executive compensation to be filed with the Annual Statement as public information. RCW 48.43.045.

Report 7 – Evaluation by Cantilo & Bennett, L.L.P.

34. Pages 70-72, Redaction Number 7-52 The Interveners' appeal is granted as to the two sentences they seek to have disclosed in this section. The information in these sentences has already been made public in other reports. Premera did not appeal the disclosure.

IS SO ORDERED this 14th day of January, 2004.

MIKE KREIDLER
INSURANCE COMMISSIONER